

**THE ROLE OF SAVING AND CREDIT COOPERATIVES IN IMPROVING  
HOUSEHOLD INCOME: THE CASE FOR TEACHERS IN MUKONO DISTRICT.**

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**APPROVAL**

This research proposal titled “THE ROLE OF SAVING AND CREDIT COOPERATIVES IN IMPROVING HOUSEHOLD INCOME: THE CASE FOR TEACHERS IN MUKONO DISTRICT” is being submitted to Uganda Technology and Management University(UTAMU) school of business and management for examination with the approval of my university supervisor

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## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 INTRODUCTION**

Mukono district is found in central Uganda and is one of the districts that make up the Buganda region. Despite the fact that it is located in proposed metropolitan area, many people residing in this district are faced with low income (Mukono, 2010). According to World Bank income is pronounced as money that individuals earn for their well-being, and comprises many dimensions. It includes having high purchasing power and the ability to acquire the basic goods and services necessary for survival with dignity. Low household incomes also encompasses low levels of health and education, poor access to clean water and sanitation, inadequate physical security, lack of voice, and insufficient capacity and opportunity to better one's life, and one of the proposed interventions in reducing this challenge is the establishment of savings and credit cooperatives (SACCOS). While many organisations and also the government of Uganda are investing in these SACCOS, there is justification that SACCOS actually improve teacher's household incomes in particular in Mukono district. However an analysis was conducted to examine the role played by cooperatives societies in improving household incomes in Uganda using the case of the teachers in Mukono district different stake holders in improving incomes such that government agencies like ministry of trade and commerce, local government and agriculture will use as references. The research tends to determine the role of SACCOS in improving household incomes using the case study for the teachers in Mukono district.

## **1.2 BACKGROUND TO THE STUDY.**

### **1.2.1 HISTORICAL BACKGROUND**

The history of SACCOS in the world can be traced based on two origins of modern cooperation. The first modern cooperation emerged in certain working class environments in European industrial cities in 1840s, particularly in Great Britain and France. These pioneers invented models of the consumer and labor cooperative that defend and promote the interest of working class in the face of the social disasters endangered by the Industrial Revolution (Assenga, 2008).

In Uganda, savings and credit cooperatives (SACCOS) are financial intermediaries, channeling savings into loans, provide saving opportunities for the teachers, especially in the rural areas.

Evidence shows that teachers are looking for opportunities to save their income in case of emergencies or to be able to undertake larger investments in the future (CGAP, 2006). There is a high potential to mobilize savings among low income people in Uganda.

### **1.2.2 THEORETICAL BACKGROUND**

Two theories advanced by scholars regarding Microfinance include economic and psychological theories. The economic theory treats microfinance institutions (MFIs) as infant industries, while the psychological theory differentiates microfinance entrepreneurs from traditional money lenders by portraying them as social consciousness driven people (Khandakar, Q., E. Danopoulos and P. Constantine, 2004). Many societies have embraced microfinance based on economic theory as a major strategic tool to combat the severe poverty, particularly in rural areas. This stems mainly from the belief that providing small loans, savings facilities, insurance products, money transfer services and skills training to poor people, and more especially women, could be a way of providing opportunities to be self-reliant and play active roles in their households and communities and the economy as a whole (Yunus, 2001). Also the SACCOS enabled them to no longer depend on money lenders (usurers) and to find the credit necessary to modernize their

agricultural operations. In African countries, the first experiences of savings and credit co-operatives were to a large degree the work of foreign missionaries (Mwelukilwa J. S, 2001). Many of the first savings and credit cooperatives emerged in the English- speaking countries, primarily in Ghana 1955, Uganda 1946 and in Nigeria dates back to 1951-1953 (Mbwana, K., and J. Mwakujonga,, 2013). In Tanzania SACCOS emerged in 1954, Kenya in 1964 and Liberia 1965.

### **1.2.3 CONCEPTUAL BACKGROUND**

SACCOs are among the financial services strategies to be implemented in this exercise. Services provided by savings and credit cooperative organizations (SACCOs) and other major financial institutions play a crucial role in improving the reach and access of financial services. It is notable that the financial services and its assets contribute to GDP.

Provision of small loans, regular saving deposits which teachers will deposit in their SACCOs and later SACCOs provide investment advisory services which in the long run will lead to improved household income thereby enabling teachers to invest in both liquid assets and non-liquid assets to enable them pay school fees, pay medical bills and improve on food security.

### **1.2.4 CONTEXTUAL BACKGROUND**

In Uganda, savings and credit cooperatives (SACCOS) as financial intermediaries, channeling savings into loans, provide saving opportunities for the people, especially in the rural areas, but further improvements are necessary to make their services more efficient and sustainable.

The government of Uganda has subsidized the founding of new SACCOS all over the country. Newly established SACCOS can apply for a start-up grant from the government owned apex-institution Microfinance Support Centre (MSC). MSC also gives out interest free loans to the SACCOS or other subsidized loans. In addition to grants and loans SACCOS can also receive

operational support from the government. The government pays salaries and rent for the first two years after the start-up. These support schemes are important elements of the government's "One SACCO per sub-county" initiative, which is a part of the wider program "Prosperity for All" (StateHouse, 2007).

### **1.3 STATEMENT OF THE PROBLEM**

Although many organisations and also the government of Uganda are investing in these SACCOS initiatives like "One SACCO per sub-county" (StateHouse, 2007), there is justification that SACCOS actually improve household income.

The role of SACCOS in improving household income is still poorly understood by natives of Mukono and all other stakeholders in Uganda.

In order to improve household income, the ability of SACCOS in increasing households income needed to be assessed.

Even if SACCOS are one of the interventions for relieving household income in rural areas like Mukono, there is still inadequate information with regards to relationship between the availability of SACCOS and household incomes in Mukono district. More so, to accelerate the effectiveness and efficiency of SACCOS in Mukono district, there's need to establish the role and relationships between availability of SACCOS and improvement of household incomes in Mukono district.

The study aims at providing information on the role played by SACCOS in improving household income and on how they can be sustained in Mukono district.

#### **1.4 GENERAL OBJECTIVES OF THE STUDY**

The objective of the study is to evaluate the role of selected Sacco's in improving household income in Mukono district. The research was explanatory because it tended to study the relationship between SACCOS and improving house hold income for teachers in Mukono.

#### **1.5 SPECIFIC OBJECTIVES**

The specific objectives of the study were;

1. To examine how small loans provided by Sacco's contribute to improved house hold income for teachers in Mukono district.
2. To assess how regular small saving deposits accepted by Sacco's contribute to house hold income.
3. To determine if advisory services provided by Sacco's contribute to improved house hold income.

#### **1.6 RESEARCH QUESTIONS**

The research questions of the study were;

1. How do small loans provided by Sacco's contribute to improved house hold income for teachers in Mukono district?
2. How do regular small saving deposits accepted by Sacco's contribute to increase house hold income for teachers in Mukono?
3. Do advisory services provided by Sacco's contribute to improved house hold income for teachers in Mukono district?

#### **1.7 HYPOTHESES OF THE STUDY**

The hypotheses of the study is;

1. There is a direct positive contribution of small loans provided by Sacco's and improve house hold income for teachers in Mukono district.
2. There is a direct benefit for teachers who save their deposits in Sacco's and this have contributed to improved income for teachers.
3. Advisory services that Sacco's provide to teachers have helped them to improve their house hold income in Mukono district.

### **1.8 SIGNIFICANCE OF THE STUDY**

This study is of importance both at local and national levels. Locally the study is of importance for the practitioners in SACCOS and local governments to understand the relevance of SACCOS in improving household income and whether they are attaining the anticipated objective. This is to enable them to refocus in case the intended objectives are not being met.

The study also offered an opportunity for the practitioners to get feedback from teachers who are participating and those not participating in SACCOS and this feedback includes suggestions on what can be done better which can be used to create a positive change income levels.

At the national level, the study is of importance in assessing the relevance of SACCOS in increasing and improving house hold income for teachers. This brings out practically what it takes to establish and manage a successful SACCO and this can be integrated in national policies and programmes for teachers in other areas in Uganda.

Participating in SACCOS can only be successful when the possible challenges and how to overcome them are known. In determining the role of SACCOS in increasing household income for teachers, circumstances can also provide useful information for improving and promoting the

development of SACCOS in rural areas such as Mukono district. Although the examples of SACCOS identified around Mukono serve as a starting point for replication, it was deemed necessary to launch a study to examine the role of SACCOS in improving house hold income for teachers.

Further more information and recommendations that will be been generated from the study can be used by recognized NGOs and lower local governments to promote the participation of SACCOS for improved incomes of the communities in rural areas.

## **1.9 JUSTIFICATION OF THE STUDY**

SACCOS are expected to increase as more teachers become aware of their benefits. The study provides information on the role played by SACCOS in improving house hold income and on how they can be sustained in Mukono district and in Uganda at large. Since promoting appropriate savings and credit cooperatives is a strategy to improve house hold income for teachers in Mukono district.

## **1.20 SCOPE OF THE STUDY**

### **1.20.1 Geographical scope**

The study will cover the whole of Mukono district focusing on the teachers participating in SACCOS and those who are not participating in the last one year. Effort will be made to locate them wherever they are operating within the district.

### **1.20.2 Content scope**

In this study technical competence of the respondents will be investigated to find out whether participation in and presence of SACCOS in their areas has helped teachers in improving household income. In addition, the current engagements will be explored to find out whether they are opportunities and challenges and if they have managed to set up their own solutions

locally. Lastly, inquiries will be made on what is thought to be the missing link and what corrective measures should be taken to ensure that better SACCO methodologies are applied in improving household income for teachers and how they can be sustained .

### **1.20.3 Time scope**

The study will consider a period of the last 12 months. That is to say from February 2016 to February 2017. This is the time the researcher deems suitable for collecting data with the regards to the objectives of the study and also finishing the research on time with regards to the University timeline and convenient for the researcher to achieve the award in time.

## **1.21 OPERATIONAL DEFINATIONS**

**SACCOS:** These are savings and credit cooperative organizations which are initiated by both governments and private individuals or firms in order to improve the welfare and income of the general public in which they are located.

**TEACHERS;** these are skilled individuals who impart knowledge from nursery, primary, to secondary education giving instruction to the young generation.

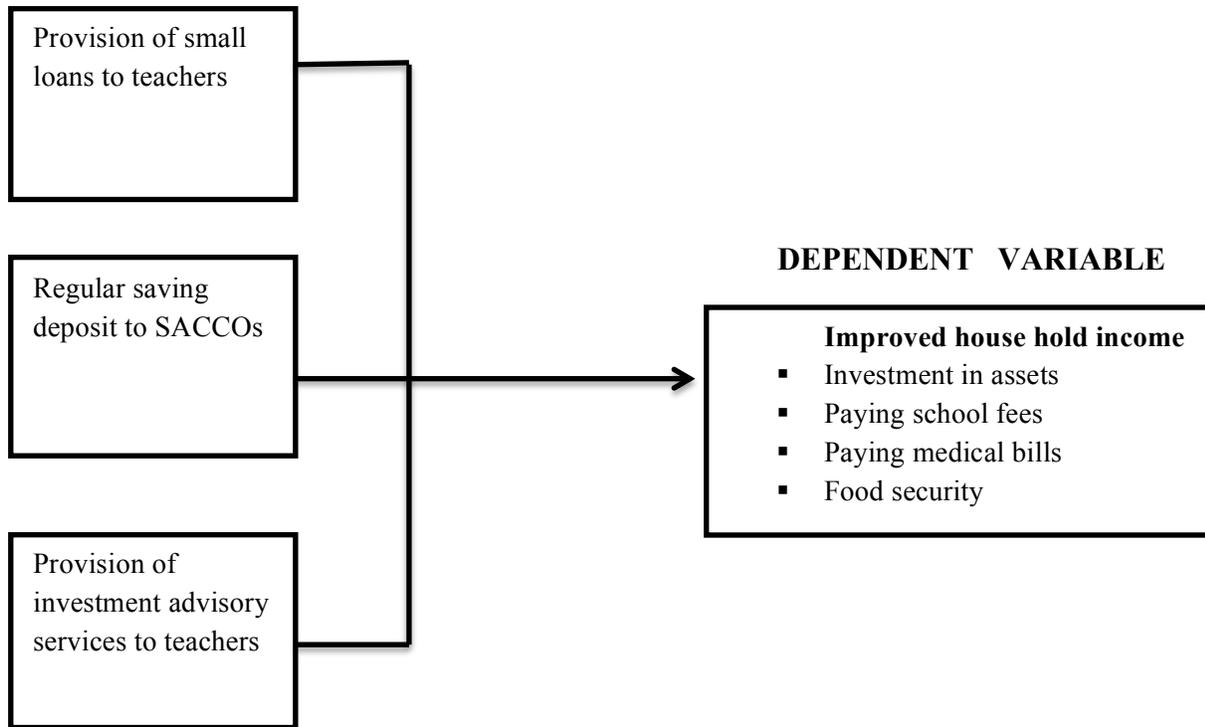
**HOUSEHOLD INCOME:** This is the amount of wealth valid in both assets and non-asset of a given homestead.

**SACCO PARTICIPANTS:** These are the members who are registered within a given saving and credit scheme.

**CHALLENGES AND OPPORTUNITES:** These are the hindrances and benefits of SACCOS

## 1.22 CONCEPTUAL FRAMWORK

### INDEPENDENT VARIABLE



**Source:** (Nassazi, 2013) and modified by the researcher.

In the conceptual framework as displayed in Figure above, Provision of small loans to teachers, regular savings deposits to SACCOs and provision of investments advisory services to teachers , are the independent variables which are hypothesized to influence improvement of teachers' household incomes, the dependent variable.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 INTRODUCTION**

This chapter focused on the relevant literature related to the role of savings and credit cooperatives in improving household incomes. Under this chapter various write ups are reviewed and analyzed to establish the contributions therein as well as getting backup literature related to the of SACCOs in improving household incomes. The review based on the outline below:

- Theoretical review
- Conceptual review
- Empirical studies
- Synthesis of the literature review

#### **2.2 THEORETICAL REVIEW**

The theoretical relationship between access to financial services and growth is not straightforward. According to related literature, there are several mechanisms through which the two may be related – and this also varies depending on which financial services we are talking about. According to growth theory (e.g. (Solow, 1956), and (Romer, 1990)), growth depends on the stock of human and physical capital in the economy, as well as technological progress. Investment at the level of the firm or the individual can contribute to all of these things, and thus plays an important role in facilitating long run economic growth.

According to the classical Ricardian theory of production and growth, increasing either of the factors of production in this case capital (Small loans), while holding the other constant and assuming no technological change, will increase output, but at a diminishing rate (Bjork, 1999). The theory relates to the effect of access to credit on savings (the capital in this case) in which

the level of savings is an important determinant of the overall level of investment in an economy, and thus is directly linked to growth both at household level and national level.

Given that savings may be considered less of a necessity when credit is available, (Japelli T and Pagano M, 1994) argue that alleviating credit constraints on households reduces the savings rate, with negative repercussions for economic growth, and they provide empirical evidence to support this argument, based on a sample of middle and high income countries. (Beck, 2008) also provide empirical evidence showing that while access to credit for enterprises does increase growth in GDP per capita, increasing access to credit for households does not have a positive impact on growth.

The main hypothesis, upon which this study is based, is the idea that access to financial services facilitates greater household level investment in productivity-enhancing assets, and that this increases household income in future. Hence the study will be based on the classical Ricardian theory of production and growth.

### **2.3 CONCEPTUAL REVIEW**

SACCOS are member-based institutions, that intermediate savings into loans. SACCOS are usually rather small, independent financial institutions. The business model of most SACCOS is to collect savings from their members and to intermediate them into loans. This enables the rural and poor population to deposit savings as well as to take loans. Only members can use the services of SACCOS as the Ugandan law prohibits SACCOS to take savings or lent out money to the public. The members can participate in annual general meetings and elect a board of directors.

Small loans are believed to bring significant improvement in the lives of the active poor by increasing their productive capacity. Credit enables the poor to boost their businesses, agriculture

production and able to meet the household daily needs. In developing world like Uganda, millions of people are suffering from poverty and its crippling effects (Lotter, 1998). One of the major barriers to escaping poverty is the lack of sufficient access to credit by the poor (Ledgerwood, 2002). As a result, the poor especially in rural areas adopt mitigation and survival strategies as a way of coping with the hemorrhage of poverty (Songsore, 1992). He further argues that generally credit plays a crucial role in the expansion and development of productive forces. It provides adequate savings and credit facilities to individual households. In this case, efficient financial system is consequently assumed to have a considerable positive effect; on increasing welfare and stimulating household economic activities. Credit enables peasants to expand and develop income generating activities, and supporting payment of other necessities like food security, education, and water and health charges. In addition, (Johnson, 1997) have demonstrated that availability of credit for micro enterprises can have positive effects on the individual income and that of the household. Thus, access to financial services play an important role in the fight against poverty.

Worth noting is that, although micro-credit is useful in poverty alleviation, it is only useful in certain situations. Some poor people since they are voiceless and property less exclude themselves from borrowing small loans, as they do not have stable income, and view access to credit as further pushing them into debts and poverty since they cannot sufficiently service the loan. This presents a paradox where the poor are in dire need for credit to exit poverty, but at the same time have a fear of not being able to repay in time, and this drawn the poor in more poverty as they have to sell off some few assets they possess (if any) to service the loan. For example, a study of the impact of microfinance on rural household in the Philippines indicated that the impact is regressive, that it is negative or insignificant for the poorer households and positive for

the richer households (Kondo, 1992). This indicates that among the poorer borrowers, the cost of and availability of program loans appear to be insufficient to stimulate the poor to select more productive activities, which will not only cover the cost of borrowing but also earn them some profit.

Evidence shows that people are looking for opportunities to save their surplus income in case of emergencies or to be able to undertake larger investments in the future without having to take a loan (CGAP, 2006). There is a high potential to mobilize savings among low income people in Uganda. However, people used to mostly rely on informal – often insecure – ways of saving, such as saving circles or hiding money under the mattress (Wright, 2011). Providing people with secure opportunities to save can minimize the losses, which arise from the insecure ways of savings, and therefore empower them financially. Furthermore, savings can help to access loans from financial institutions. Financial institutions are more likely to give loans to customers that have a history of saving within their institution. However, small savings have been neglected by the MFIs in the past, as other funding sources were preferred (CGAP, 2010b)

According to (Mwelukilwa J. S, 2001) Microfinance has been centered on providing loans to financially excluded people in the past, while savings have been neglected. In the last years this approach has been criticized, fostered by a microfinance crisis in India and other low-income countries (CGAP, 2010a). Many experts argue that it would be advisable for the people to save first and then invest the money (CGAP, 2006). The provision of save and reliable saving opportunities is of central importance for both the poor and the microfinance institutions (MFIs). In Uganda, savings and credit cooperatives (SACCOS) as financial intermediaries, channeling savings into loans, provide saving opportunities for the people, especially in the rural areas, but further improvements are necessary to make their services more efficient and sustainable.

The government of Uganda has subsidized the founding of new SACCOS all over the country. Newly established SACCOS can apply for a start-up grant from the government owned apex-institution Microfinance Support Centre (MSC). MSC also gives out interest free loans to the SACCOS or other subsidized loans. In addition to grants and loans SACCOS can also receive operational support from the government. The government pays salaries and rent for the first two years after the start-up. These support schemes are important elements of the government's "One SACCO per sub-county" initiative, which is a part of the wider program "Prosperity for All" (StateHouse, 2007). Without sufficient savings available for emergencies such as an illness or injury, or to fund major purchases and investments, people often resort to borrowing from moneylenders charging high interest rates or they may simply go without.

## **2.4 CONTEXTUAL REVIEW**

In Uganda, savings and credit cooperatives (SACCOS) as financial intermediaries, channeling savings into loans, provide saving opportunities for the people, especially in the rural areas, but further improvements are necessary to make their services more efficient and sustainable.

The government of Uganda has subsidized the founding of new SACCOS all over the country. Newly established SACCOS can apply for a start-up grant from the government owned apex-institution Microfinance Support Centre (MSC). MSC also gives out interest free loans to the SACCOS or other subsidized loans. In addition to grants and loans SACCOS can also receive operational support from the government. The government pays salaries and rent for the first two years after the start-up. These support schemes are important elements of the government's "One SACCO per sub-county" initiative, which is a part of the wider program "Prosperity for All"

## 2.5 EMPIRICAL STUDIES

Saving and credit was invented in Bangladesh during the famine of 1974, when Professor Yunus studied the lives of the poor entrepreneurs in Bangladesh. Yunus began by loaning to groups of women an equivalent of \$30 to forty two basket weavers to help them purchase bamboo. Upon the advice of banks and government, he carried on giving out micro-loans and in 1983 formed the Grameen Bank. The program proved that small loans could not only quickly improve lives of poor people, but were paid back with interest and on time. By 1997, there were 1.8 million poor borrowers in 22,000 out of 68,000 villages in Bangladesh with 830 million credits worth every month (Yunus M. B., 2004).

A study carried out by the World Bank's sustainable banking for the poor with the title of the project "Worldwide Inventory of Microfinance Institutions" found that female programs are group based with the characteristic of having small loan size and short loan term (Paxton, 1996).

(Gine, 2004) show that, based on a general equilibrium model of the economy, the expansion of access to the financial sector has significantly raised Thailand's growth rate. Conversely, (Micro, (2009).) Emphasize the efficiency and productivity losses associated with preferential access to finance by the better off, and suggest a potential first-order effect of access on investment and growth. Finally, (Burgess, 2005) find a strong positive effect on rural poverty, using a "natural experiment" of new branching regulations in India that incentivized banks to expand into underserved areas. However, the high cost of this expansion policy outweighed the aggregate benefits. This result suggests large potential benefits from technology-enabled, lower-cost branch expansion.

Income improvement involves the strategic use of tools such as education, economic development, health and income redistribution to improve the livelihoods of by governments and

internationally approved organizations. They also aim at removing social and legal barriers to income growth among the people.

There has been limited research on the impact of savings on the lives of the poor, but what is there finds evidence that savings accounts help the poor save up and invest in their future as well as withstand emergency needs for cash without depleting their other assets, such as business inventory. One randomized field study found that women given access to savings accounts were investing 45 percent more in their businesses (mostly in inventory) than were women who were not given accounts, had 27 percent to 40 percent higher daily expenditures, and were less prone to sell business assets to deal with health emergencies (Jake Kendall, 2010).

## **2.6 SYNTHESIS OF THE LITERATURE REVIEW**

According to the classical Ricardian theory of production and growth that relates to the effect of access to credit on savings (the capital in this case), the level of savings is an important determinant of the overall level of investment in an economy, and thus is directly linked to growth both at household level and national level.

SACCOS offer only one type of loan a 3:1 or 5:1 multiple of a member's savings balance, with no variations to risk levels (borrower repayment capacity, type of activity financed etc.). These types of loans are not flexible enough to meet member's diverse credit needs, including short-term working capital for micro entrepreneurs and agricultural inputs for small-holder farmers.

Investment is the active redirection of resources by an economic entity (e.g. an individual or a firm) from being consumed today, to creating benefits in the future. The hope is that the investment will yield greater benefits in future than would be yielded by consuming those resources today. The investment may take the form of savings, of a financial instrument (e.g. an

equity investment), of physical capital (e.g. a new tool or piece of equipment that improves productivity such as agricultural machinery), or of human capital (e.g. education).

(Micro, (2009).) identifies that the government of Uganda has set aside the equivalent of USD 133.7 million for subsidized loans to individuals and small businesses through the government-owned Microfinance Support Center (MSC) to Savings and Credit Cooperative Societies (SACCOS).

In Uganda the position of SACCOS has been heightened by the launch of the government “Bonna Bagaggawale” (“Prosperity for All”) program intended among other interventions to address inadequate access to financial services. This program is designed to use a SACCO-per sub-county strategy to channel both agricultural and commercial loans at below market rates to borrowers.

In Kenya, 44% of those surveyed had at some point used savings to undertake productivity-enhancing investment, and 24% had used a loan for this purpose. Education was the most common form of investment undertaken in Kenya, whereas in Tanzania it was starting a business (Karen Ellis, 2010).

The demographic breakdown showed that people borrow and save for a range of investment purposes in both countries, even in the poorest groups. As expected, rural inhabitants save and borrow more for agricultural investments, while urban inhabitants tend to save and borrow more for other purposes, such as starting a business. Individuals with a better education are more likely to borrow, save and invest than those with less education. In Kenya men and women exhibit very similar patterns of behavior in terms of saving and borrowing for investment purposes, while in Tanzania men are more likely to save or borrow to invest than women (Karen Ellis, 2010)

Despite the recognition of SACCOS in the microfinance sector, their biggest challenge remains their governance mechanisms. (Labie, 2008) highlight the major challenges to corporate governance in SACCOS as existence of volunteer board of directors, Limited individual influence despite the “one person, one vote” decision-making system and Volunteer staff

Although the financial results of most of the SACCOS surveyed do not seem very alarming, several issues might put their financial sustainability at risk in the future. Many SACCOS, especially smaller ones, are over-dependent on subsidization. The quality of the SACCOS’ loan portfolio, a main indicator for the capability of lending institutions, seems to be another critical point that threatens the viability of many SACCOS. Due to the enormous demand for financial products in rural areas (in particular loan products), the SACCO sector as a whole is growing considerably. However, the growth pattern of many smaller SACCOS seems uneven since they have difficulties to attract savings deposits from their members.

Loans are insured, so if a member dies, the outstanding balance is settled. However, it is not the practice across board.

Besides; other MFIs also do insure loans for their clients. Savings are mobilized. It also encourages regular social interaction between members (Kabuga, 1995).

Some banks are unwilling to lend to the women because their access to property is limited and they also have fewer sources of collateral security. Based on experience, women generally are very responsible and are affected by social forces. When the income of women is increased, the effect is noticed throughout the household and to the community than when that same amount is increased to a man. They also have a high repayment loan and savings rate than their male counterparts (Ledgerwood J. , 1999).

While SACCOs and credit unions have distinct advantages to banks regarding access, they face challenges which banks would not normally encounter.

SACCOS are usually governed by a volunteer board of directors elected by the membership; small, young SACCOS are also often staffed entirely by volunteers. As they grow and perform more risky operations they require more professional managers, it is at this point problems occur when volunteer board members continue to make operational decisions after professional managers have been recruited when they should be focusing on the monitoring of operations.

Competent external regulation and supervision can identify, avoid and resolve many common problems experienced by SACCOS and credit unions. In many countries SACCOS are supervised by the same government agency that is responsible for all kinds of non-financial cooperatives, including agricultural and marketing; such agencies do not have the financial skills or political independence needed to oversee financial intermediaries effectively.

In Latin America, more bank superintendence are adding supervision departments for SACCOS and in West Africa, central banks have designated a department, such as microfinance, to supervise SACCOS. Delegated supervision to an outside body only works if that body is not controlled by the SACCOS being supervised, but requires an understanding of their unique risk profile and supervision must be adapted accordingly (CGAP, 2010a)

Donors have channeled funds through SACCOS to target specific types of clients. Experience has shown that this practice tends to harm participating SACCOS external funds decrease the incentive to mobilize deposits, skew incentives toward net borrowers, and are not managed as carefully as the members' own money. External funding does have the advantage of being resources for longer-term loans, but it should be limited in relations to members' deposits and the internal capacity for managing a larger loan portfolio. In Benin, FECECAM, a federation of

cooperatives, suffered loan quality and asset deterioration when donor-driven credit increased and was channeled through cooperatives that did not meet prudential standards.

## **2.7 CONCLUSION**

Generally, the above literature exhibits several knowledge gaps and several questions are not adequately answered by already existing literature and studies: These include; whether small loans provided by Sacco's, regular small saving deposits accepted by Sacco's and advisory services provided by Sacco's contribute to improved house hold income especially for teachers in Mukono district.

Where attempts are made, it is limited by time and geographic scope. However primary data will be used to examine the role played by SACCOs to improve household income for teachers in Mukono district.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.0 INTRODUCTION**

The chapter lays out the structural that will guide the study and it included research design, description of the population, the methods used in determining the sample size, the sampling techniques and procedures, data collection methods and instruments, data analysis methods, a description of the variables and their measurements.

#### **3.1 RESEARCH DESIGN**

According to (MOUTON, 1996: )research design is a plan of how the researcher plans to execute the formulated research problem. It is a set of guidelines and instructions to be followed in addressing the research.

The design that will be in the study was exploratory research which involved both cross sectional survey methods and quantitative methods. A cross-sectional study is a type of observational study that analyses data collected from a population, or a representative subset, at a specific point in time (Schmidt & Kohlmann, 2008) and quantitative research is the systematic empirical investigation of observable phenomena via statistical, mathematical or computational techniques, therefore in this case a group of teachers with deposit savings and their amount saved in SACCOs is to be investigated. The study will involve focusing on two variables that is availability of an active SACCO and improved household income for the participating member teachers in Mukono district. This design will be suitable because it will enable to collect the needed information on several predetermined variables at a single point in time and from a cross-section of a fairly uniform cohort group.

It will also be easy to administer and its responses generalized to other members of the population under study and other similar populations.

This design will also be timesaving and gave room to understand more of the whole research problem.

### **3.2 STUDY POPULATION**

The study population will include the selected SACCOs, schools and teacher members in Mukono district. The SACCOs included; Mukono-Kayunga teachers SACCO, Seroma teachers savings scheme, Seta parents teachers saving scheme, and Mukono teachers SACCO.

### **3.3 DETERMINATION OF THE SAMPLE SIZE**

The number of SACCOs and population of the teacher members with savings deposits in SACCOs will be got from the district commercial officer. And assuming that the total number of SACCOs got from the DCO was S with a membership of N members, Therefore the total population according the information available the target population of this study was SN persons.

The sample in this study will include a simple random sampling and n individuals were randomly drawn from the target population.

To arrive at the above sample size, we shall use the formula

$$n = \frac{N}{1+(a)^2N}$$

Where; n= sample size

N=total population

a= error factor  $(0.05)^2$  (Yamane, 1967)

### **3.3 SAMPLING TECHNIQUES AND PROCEDURE**

The sampling technique and procedure to be used will base on simple random sampling principles where individuals will be randomly sampled from the target population. The respondents will be randomly selected by use of probabilistic sampling where every individual has an equal chance of being selected

### **3.4 DATA COLLECTION METHODS**

A survey will be carried out and the data collection techniques will include the following; face-to-face interview, key informants interview, survey and observations. These will be carried out using tools such as an interview guide and a questionnaire whereby a questionnaire will be administered to the respondents with semi structured questions with regards to the subject matter

### **3.5 DATA COLLECTION INSTRUMENTS**

The data collection instruments will include; interview guides and questionnaires, Key informants' guides, group discussion topics, observation checklists, and the researcher used them for the purpose of explaining to the respondents the reason for the research and receive appropriate and reliable information from the respondents.

### **3.6 PRE-TESTING (Validity and reliability)**

To ensure validity and reliability of the research instrument, the researcher will ensure that the Questions that are asked are in conformity with the research objectives of the study and a pilot test of the research instrument will be conducted and a calculation using office Microsoft excel will be computed for question reliability and validity assessment

### **3.7 PROCEDURE OF DATA COLLECTION**

The researcher will collect the data by administering a semi structured questionnaire to the respondent and recording their responses, an interview guide was also used during the face-to-face interview of key informants.

### **3.8 DATA ANALYSIS**

Responses to questions in the questionnaires will first be checked for errors and coded. This will involve allocating numerical values to the answers given by respondents for the ease of data entry and analysis (Williams, 2003).

Descriptive data will be summarized into frequencies and histograms. A computer software package SPSS was used for the analysis of the data concerning the relationship between Simple savings deposits, simple loans got from SACCOs and income levels of teachers participating in SACCOS.

### **3.9 DESCRIPTION OF VARRIABLES AND THEIR MEASUREMENTS**

**Provision of small loans to teachers:** This is defined as a short-term unsecured loan, regardless of whether repayment of loans is linked to a borrower's income. The loans are also sometimes referred to as small loans since they attract a small interest rate. These loans rely on the teacher having previous payroll and employment records. This is measured as the amount of money that has been advanced to individual teacher members as loans at that time.

**Regular saving deposit to SACCOs:** Regular savings are the amounts of money that the individual teacher member deposits at the SACCO. These already have accounts which offer small interest rates. With a regular savings account, a member commits to paying in a certain amount each month. In return, the SACCO gives him/her an interest rate higher than on the

ordinary savings. This was measured as the amount of money that has been deposited by the teacher member to the SACCO as per at that time.

**Provision of investment advisory services to teachers:** These are services offered by any person or group/company that makes investment recommendations or conducts securities analysis in return for a fee, whether through direct management of client assets or via written documents or publications. This was measured as the number of teacher members who have ever received any kind of investment advisory services.

**Improved household income:** Income is consumption and savings opportunity gained by an entity within a specified timeframe, which is generally expressed in monetary terms. However, for households and individuals, it is the sum of all the wages, salaries, profits and interests payments received in a given period of time. Increase in this is what we refer to as improved household incomes. This will be measured according to the amount of assets accumulated by the teachers in a given period of time.

### **3.10 ETHICAL CONSIDERATIONS**

The researcher will adhere to ethical norms in research because norms promote the aims of research, such as knowledge, truth, and avoidance of error. The ethics framework is essential focused on observing, voluntary informed consent of the participants. Participants' informed consent will be obtained through better introduction of the researcher to respondents/superiors who clearly specified what the research involves, including clearly laid down procedures and explained the ways in which their confidentiality was assured. The respondent's names will be withheld to ensure anonymity and confidentiality in terms of any future prospects and also informed that data will be shared, results, ideas, tools, resources. Respect for intellectual property will be adhered to and no use of unpublished data, methods, or results without

permission. Proper acknowledgement or credit for all contributions to research will be prioritized to avoid plagiarism.

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**APPENDICES**

**Appendix 1: Questionnaire to evaluate the role of SACCOS in improving household income of teachers in Mukono district**

I am a student of UGANDA TECHNOLOGY AND MANAGEMENT UNIVERSITY (UTAMU), School of Business and Management carrying out research on the role played by SACCOS in improving household income for teachers in Mukono district. The research is meant for academic purposes only. The information will be treated with utmost confidentiality. May you please kindly respond to this questionnaire designed to get information on the peoples' views on the role of SACCOS in in improving household income of teachers in Mukono district

Parish .....

Village.....

Are you a member in the SACCO? (Tick one)

Yes.....

**a) Background information:**

Sex of the respondent .....

Name of school .....

Sub-county .....

No.....

If yes:

When did you join the SACCO?

.....

If no, why didn't you join the SACCO?

.....

.....

**Savings**

How much money have you saved with the in the last one year?

.....  
.....  
Has the money you saved in the last one year been of any help to you?

Yes: .....

No: .....

If yes how:

.....  
.....

If no, why?

.....  
.....

**Loans**

Have you received any loan from the SACCO in the last one year?

Yes .....

No .....

If yes, how much? .....

If no, why? .....

How has the loan received from the SACCO been of help to you

.....  
.....

**Advisory services provided by SACCOs**

Have you received any advisory services from the SACCO since you joined?

Yes .....

No .....

If yes, which advice? (Tick appropriately)

Investment

Financial management

Others (mention).....

Since you joined the SACCO, has there been any improvement in your lifestyle:

Yes .....

No .....

If yes, how? .....

What do you think are the benefits of participating in the SACCO?

.....  
.....  
.....  
.....

What problems do you think are affecting your SACCO?

.....  
.....  
.....  
.....

What do you think can be done to overcome these problems?

.....  
.....  
.....  
.....

What other comments do you have concerning SACCOs in your area?

.....  
.....  
.....  
.....

**THANK YOU VERY MUCH FOR THIS INFORMATION AND FOR YOUR TIME.**

**MAY GOD BLESS YOU.**

## Appendix 2: Work plan and Timeframe

Activity	Duration (days/weeks/months)	Responsible
Locate Respondents	Before 15th June 2017	Researcher
Designing Pretesting data collection tools	Before 22nd June	Researcher
Data Collection	Before 8th July	Researcher
Data Coding	Before 15th July	Researcher
Data interpretation and Reporting	Before 5th August	Researcher

### Appendix 3: Budget

<b>Item</b>	<b>Quantity</b>	<b>Unit Cost</b>	<b>Total Cost</b>
Subsistence Allowance	<b>3 months</b>	<b>50000</b>	<b>150000</b>
Travel (Vehicle Hire)	<b>3 months</b>	<b>100000</b>	<b>300000</b>
Data Analysis	<b>1</b>	<b>50000</b>	<b>50000</b>
Secretarial Services (Processing the research instruments and reports)	<b>1</b>	<b>50000</b>	<b>50000</b>
Photocopying	<b>1</b>	<b>20000</b>	<b>20000</b>
Report Production (Printing and Binding)	<b>1</b>	<b>10000</b>	<b>10000</b>